

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
WASHINGTON TOWNSHIP REGIONAL
SEWAGE DISTRICT
CLARK COUNTY, INDIANA

January 1, 2004 to December 31, 2006



FILED
03/14/2007

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OFFICIALS

Office

Official

Term

President of the Board

Ronald L. Repp

01-01-04 to 12-31-07

Treasurer

Carroll T. Steele

01-01-04 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WASHINGTON TOWNSHIP
REGIONAL SEWAGE DISTRICT, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of the Washington Township Regional Sewage District (District), for the period of January 1, 2004 to December 31, 2006. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2004, 2005, and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 27, 2007

WASHINGTON TOWNSHIP REGIONAL SEWAGE DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended December 31, 2004, 2005, And 2006

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Operating	<u>\$ 328,453</u>	<u>\$ 97,966</u>	<u>\$ 69,595</u>	<u>\$ 356,824</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Operating	<u>\$ 356,824</u>	<u>\$ 93,496</u>	<u>\$ 77,693</u>	<u>\$ 372,627</u>
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Operating	<u>\$ 372,627</u>	<u>\$ 102,113</u>	<u>\$ 86,138</u>	<u>\$ 388,602</u>

The accompanying notes are an integral part of the schedules.

WASHINGTON TOWNSHIP REGIONAL SEWAGE DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater collection and treatment services

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Subsequent Event

The District bills customers based on water usage reports provided by the Washington Township Water Corporation (Water Corporation), an unrelated entity. The District has been informed that the Water Corporation's water usage reports for the Greater Clark County Community School Corporation (School Corporation) have been overstated for the past five years. On February 26, 2007, the District began negotiating settlement of the estimated \$36,460 overpayment with the School Corporation.

WASHINGTON TOWNSHIP REGIONAL SEWER DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Sewer District		
Revenue bonds:		
Sewage Improvement	\$ 354,000	\$ 6,000

WASHINGTON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

ACCOUNTING FORMS NOT APPROVED

The District uses a computerized accounting system. The accounting forms generated from the system have not been approved by the State Board of Accounts. The following is a listing of the primary accounting forms that have not been submitted to the Indiana State Board of Accounts for approval:

1. A cash receipts journal was used to document posting of daily consumer collections. The State Board of Accounts has prescribed the Register of Daily Cash Receipts - Consumer (Utility Form 313A) for this purpose. The prescribed form 313A is designed to be used to post daily collections from Water and Sewage Receipts.
2. A customer ledger report was used to provide a history of billings, payments, and adjustments to customer accounts. The State Board of Accounts has prescribed Utility Form 324, Consumer's Ledger - Municipal Sewage Utility, for this purpose.
3. The general ledger used by the District was not approved by the State Board of Accounts. The prescribed manual form for posting the District's financial activity is the Simplified Cash Journal - Municipal Wastewater Utility (Utility Form 323).
4. Although not a prescribed form, the computerized accounting system includes an aged accounts receivable report. The report does not accurately present amounts due by customers for each of the reporting periods thereon. Payments on accounts in arrears are applied to the over 90 day balance, even if there is no balance due for over 90 days. This results in some customer accounts being listed in the aged accounts receivable report with amounts receivable shown for 30-60 days and/or 60-90 days but with overpayments shown for the amounts due for over 90 days.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was made on State Board of Accounts Report B24450.

NONUSE OF PRESCRIBED FORMS

The following is a schedule of prescribed forms that have not been placed in use:

1. The District did not issue receipts to customers for payment of monthly sewage services. Water and Sewage Receipt (Utility Form 311) has been prescribed to document payments from customers for sewage services.
2. Receipts issued for tap-in fees were not pre-numbered. Prescribed receipt Form 352, Receipt, is a prenumbered form to be used to account for all monies received other than payments on customer accounts.
3. Investment Register (Form 350)

WASHINGTON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was made on State Board of Accounts Report B24450.

DEPOSITS

As reported in previous State Board of Accounts Report B24450, monies collected were deposited later than the next business day. Deposits were made weekly for payments received on customer accounts. One tap fee deposit was not made until a month after the receipt was issued.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance."

EXPENDITURES NOT APPROVED BY BOARD

The District pays claims monthly, however, the Board of Trustees do not meet monthly. As a result, claims are being paid prior to Board approval.

Indiana Code 5-11-10-1.6 states in part:

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

. . . (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

A similar comment was made on State Board of Accounts Report B24450.

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets. An aggregate Utility Plant in Service account is maintained in the General Ledger. However, detailed records providing historical costs for individual capital assets are not available.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

A similar comment was made on State Board of Accounts Report B24450.

WASHINGTON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

NONCOMPLIANCE WITH BOND ORDINANCE

The District was not in compliance with a bond ordinance and a loan resolution as follows:

1. The District has not established a Bond and Interest Fund, Debt Service Reserve Fund or an Improvement Fund. The entire balance of the District's net revenues is retained in the Operating Fund.

Under sections 13 and 15 of Bond Ordinance 1, the District was to establish a "debt service account" (a Bond and Interest Fund and a Debt Service Reserve Fund). The District is to make monthly transfers to these funds and maintain the funds in a separate bank account. Monthly transfers were to begin when the District's sewage works became revenue producing and were to be a minimum of (a) \$375 per month into the Debt Service Reserve Fund and (b) 1/10 of the amounts of principal and interest due on their next payment dates into the Bond and Interest Fund. The separate bank account is to be deposited, held, and maintained in accordance with the Indiana statutes.

2. The District's financial records and system of accounting and bookkeeping are not in compliance with the requirements of the Indiana State Board of Accounts as described in comment titled "Accounting Forms Not Approved."

A letter of conditions issued in connection with Bond Ordinance 1 stipulates that this accounting system must be consistent with the requirements of the Indiana State Board of Accounts.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment has been reported in previous Reports A86868, A93236, A99154, B05010, B10414, B18516, and B24450, covering the period January 1, 1998 to December 31, 2003.

CONFLICT OF INTEREST

The District has a contract for bookkeeping services with Patricia Jackson. Mrs. Jackson's husband, Gary Jackson, serves on the District's Board. Mrs. Jackson was paid \$3,600, \$3,600, and \$3,960, in 2004, 2005, and 2006, respectively. The District also has a contract with Patricia Steele for billing services. Mrs. Steele's husband, Carroll Steele, is Treasurer of the District. Mrs. Steele was paid \$3,600, \$3,600, and \$3,960, in 2004, 2005, and 2006, respectively. Mr. Steele stated that Uniform Conflict of Interest Statements had been filed. However, records of the State Board of Accounts' and the Clark County Clerk of the Circuit Court's offices do not show that the statements were on file.

Indiana Code 35-44-1-3 states in part:

- "(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

WASHINGTON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- "(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (1) If the: (A) public servant is not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity; (B) functions and duties performed by the public servant for the governmental entity are unrelated to the contract or purchase; . . ."
- "(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."
- "(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."
- "(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

WASHINGTON TOWNSHIP REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 27, 2007, with Ronald L. Repp, President of the Board; and Carroll T. Steele, Treasurer.